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UNOPS

FINANCIAL BUDGETARY AND ADMINISTRATIVE MATTERS

UNOPS BUDGET ESTIMATES FOR THE BIENNIUM 2000-2001

Revised budget estimates for the biennium 1998-1999 and budget estimates for the biennium 2000-2001

Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions (ACABQ) has considered the report of the Executive Director of the United Nations Office for Project Services (UNOPS) on the revised budget estimates for the biennium 1998-1999 and budget estimates for the biennium 2000-2001 (DP/1999/39). In addition, the Committee had before it the report of the Executive Director on the level of the operational reserve (DP/1999/40) and UNOPS interim financial statements for the year ended 31 December 1998. During its consideration of these items, the Committee met with representatives of the Executive Director, who provided additional information.

2. The Advisory Committee notes from paragraph 3 of the report (DP/1999/40) and the interim financial statements for the year ended 31 December 1998 that UNOPS brought the level of its operational reserve from $17.6 million at 31 December 1997 to $19.9 million at 31 December 1998, which is the approved level of 4 per cent of the combined expenditure on administrative and project budgets of the prior year ($499.7 million) in accordance with Executive Board decision 97/21 of 18 September 1997.

3. As indicated in paragraph 4 of the budget report, in accordance with its authorized financial model, the revised estimates for the biennium 1998-1999 and the estimates for the biennium 2000-2001 are based on the expectation that UNOPS will continue to operate in accordance with the self-financing principle for

recurring expenditures. UNOPS will cover its extraordinary non-recurring expenditures from drawdowns from its operational reserve if income generated during 1999 or the biennium 2000-2001 is insufficient.

4. The Committee notes that for the reasons explained in paragraphs 14 and 25 to 28 of document DP/1999/39, the Executive Director expects to draw down $9.5 million in 1999 and $1.5 million in 2000 from the operational reserve to cover extraordinary, non-recurrent expenditures related to the relocation of its headquarters offices, the implementation of the integrated management information system (IMIS), and the achievement of the year-2000 compliance (see also DP/1999/39, table 1). UNOPS would, however, restore its operational reserve to the prescribed level during the biennium 2002-2003. The Executive Director proposes to submit a detailed report on the appropriateness of the level of the operational reserve at the third regular session of 2001 (see DP/1999/40, paras. 2-4). The Committee was provided with a graph showing the foreseen changes in the level of the reserve (see annex I below).

Revised administrative budget for the biennium 1998-1999

5. As indicated in paragraph 5 of the budget report, UNOPS has submitted its revised estimates for the biennium 1998-1999 on the basis of actual project delivery and income performance in 1998 and projections for 1999. For the biennium 1998-1999 total project delivery is estimated at $1,087.8 million - $537.8 million of actual project delivery in 1998 and $550 million projected project delivery for 1999. The revised income projection for the biennium 1998-1999 amounts to $101.1 million - $50 million of actual income in 1998 and $51.1 million projected for 1999; and comprises $86.4 million from project implementation, $9.7 million from services and $5 million from other sources (see DP/1999/39, paras. 8-12 and table 1).

6. The revised budget for UNOPS administrative expenditures for the biennium 1998-1999 amounts to $102.6 million - $42 million of actual expenditure in 1998 and $60.6 million projected for 1999. The revised estimates for 1998-1999 increase by $1.6 million, or 1.6 per cent, as compared with the approved budget of $101 million for the biennium 1998-1999 (DP/1999/39, para. 13 and table 1). Table 2 of the report shows the corresponding changes by object-of-expenditure categories in the revised estimates for 1998-1999.

7. The revised budget for the biennium 1998-1999 of $102.6 million reflects the distinction between recurring and non-recurring expenditure established in Executive Board decision 98/20 of 21 September 1998. For 1998-1999, the Executive Director proposes a decrease from $89.6 million to $88.5 million for recurrent activities and an increase from $11.4 million to $14 million for extraordinary, non-recurring activities (DP/1999/39, table 1).

8. The Advisory Committee notes from paragraphs 19 and 20 and table 3 of the budget report that the Executive Director proposes to establish 36 additional posts (1 D-1 and 35 at the P-5 level and below), increasing the number of established posts from 345 to 381 for the biennium 1998-1999. The proposal includes the establishment of a new Division for Special Programmes Development to be headed by the new D-1 level post. The Committee has no objection.

9. The Committee invites the Executive Director, in establishing management capacity for UNOPS, to have recourse to broad-based expertise consistent with the needs of the office.

10. To complete the planned decentralization of the UNOPS Division for IFAD Programmes, the Executive Director proposes the relocation of two additional Professional and two General Service posts to the UNOPS Rome Office and the relocation of one Professional post to the UNOPS Geneva Office to deal with the portfolio of projects for Western Asia, Arab States and Europe (DP/1999/39, paras. 21-22). The Advisory Committee has no objection. The Committee was provided with a table indicating the distribution of posts by region (see annex II below).

Administrative budget for the biennium 2000-2001

11. As shown in table 1 of the budget report, for the biennium 2000-2001 total project delivery is projected at $1,300 million - $620 million for 2000 and $680 million for 2001. The revised income projection for the biennium 2000-2001 amounts to $116.5 million - $55.9 million for 2000 and $60.6 million for 2001; and comprises $101.3 million from project implementation, $11.2 million from services and $4 million from other sources. The Advisory Committee notes from paragraph 30 of the budget report that the projected increases in project delivery take into account UNOPS recovering from disruptions caused by the office relocation and the introduction of IMIS during the biennium 1998-1999, as well as the potential negative impact of Y2K-related disruptions.

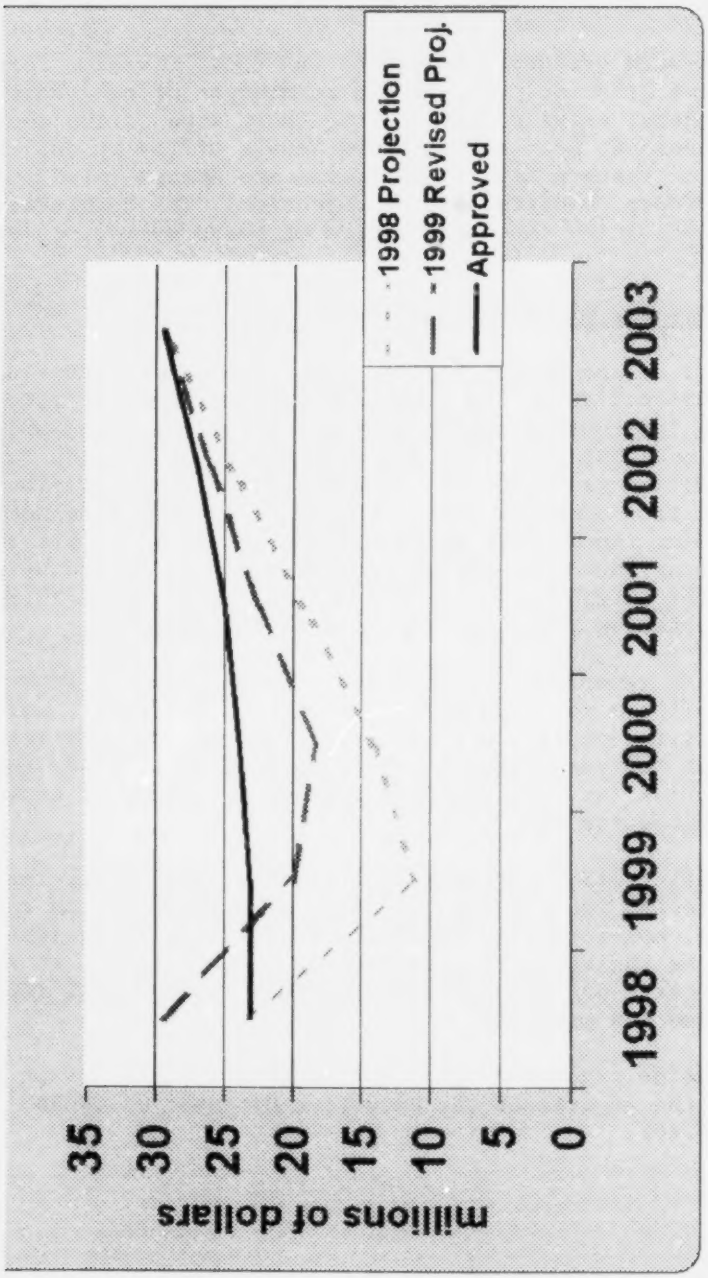
12. UNOPS administrative expenditure projection for the biennium 2000-2001 is $113.8 million ($57.4 million for 2000 and $56.4 million for 2001), reflecting an increase of $11.2 million or 10.9 per cent, as compared with the revised budget of $102.6 million for the biennium 1998-1999 (see DP/1999/39, table 1). Table 2 of the report shows the corresponding changes by object-of-expenditure categories in the estimates for 2000-2001.

13. The projected administrative expenditure of $113.8 million for the biennium 2000-2001 reflects projected recurrent expenditure of $110.9 million and projected extraordinary, non-recurring expenditure of $2.9 million (see DP/1999/39, table 1). As indicated in paragraph 31 of the report, it is expected that extraordinary, non-recurrent expenditure in 2000 will include only those related to IMIS and Y2K projects.

14. The Advisory Committee recommends that the Executive Board accept the proposals contained in the reports of the Executive Director of UNOPS (DP/1999/39 and DP/1999/40).

Annex I

Level of the UNOPS operating reserve



Annex II

Distribution of posts by region

	Number of posts	Approx. percentage
Asia[a]	54	14
Africa[b]	37	10
Latin America[c]	13	4
Europe[d]	47	12
USA[e]	230	60
Total	**381**	**100**

[a] Kuala Lumpur Office and Japan.

[b] Abidjan Office; Rehabilitation and Social Sustainability/Kenya; IFAD/Kenya.

[c] Latin America and Caribbean/Ecuador; Rehabilitation and Social Sustainability/El Salvador; Rehabilitation and Social Sustainability/Guatemala.

[d] Geneva, Rome, and Copenhagen Office.

[e] Headquarters/New York.

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FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

UNITED NATIONS REVOLVING FUND FOR NATURAL RESOURCES EXPLORATION

Report of the Administrator

I. INTRODUCTION

1. At its first regular session 1999, the Executive Board considered the report of the Administrator on the activities of, inter alia, the United Nations Revolving Fund for Natural Resources Exploration (UNRFNRE), contained in paragraphs 46 to 54 of document DP/1999/4. During the ensuing discussion, the Board requested the Administrator to provide an analysis of the Fund's usefulness and the rationale for its continuation. In responding to that request, the present report provides background information on the Fund and its financial status and outlines UNDP plans to phase out the activities of the Fund by the end of 2000.

2. In accordance with Economic and Social Council resolution 1762 (LIV) of 18 May 1973 and General Assembly resolution 3167 (XXVIII) of 17 December 1973, UNRFNRE was established as a trust fund and is administered on behalf of the Secretary-General by the Administrator of UNDP. The purpose of the Revolving Fund was to extend and intensify the activities of the United Nations system in the field of natural resources exploration in developing countries and provide a mechanism for developing countries to obtain knowledge about their mineral wealth. UNRFNRE resources are made available to programme countries in addition to those from the target for resource assignments from the core.

II. FINANCIAL STATUS

3. Over the past 25 years, UNRFNRE has received a total of $91 million in voluntary contributions and other income from 26 countries. The voluntary contributions declined from a level of $3 million in 1991 to $1.6 million in

1998 (provided by Japan, China and Indonesia). The financial status of the Fund is presented in the tables below.

Table 1. Resource availability and utilization
(in millions of US dollars)

	Actual 1998	Estimated 1999	Estimated 2000
Balance as of 1 January	3.14	4.07	3.04
Additional resources received			
Voluntary contributions	1.64	0.07	-
Interest and other income	0.23	0.15	-
Subtotal	5.01	4.29	3.04
Resources utilized			
Programme expenditure	0.32	0.80	0.21
Biennial support budget	0.62	0.45	0.35
Subtotal	0.94	1.25	0.56
Balance of resources as of 31 December	4.07	3.04	2.48

Table 2. Resources available for programming and administration
(in millions of US dollars)

General resources as of 31 December	4.07	3.04	2.48
Less: unspent project allocations	1.01	0.21	-
Balance available as of 31 December	3.06	2.83	2.48

4. As indicated in the tables, UNRFNRE will have a balance of $2.48 million at the end of 2000 if current commitments are fulfilled, no new initiatives are undertaken, and no additional contributions are made.

III. PHASE-OUT PLANS

5. UNDP is in the process of phasing out the activities of UNRFNRE, a process that is expected to be completed by the end of 2000. In doing so, careful consideration is being given to the following three key issues.

6. First, UNDP is ensuring that all existing project and contractual commitments are fulfilled in a responsible manner. Although the Director and

one Junior Professional expert completed their contracts in May and June and have not been replaced, one Senior Professional Officer with longstanding experience in mineral exploration has been retained to ensure that ongoing projects are properly completed and that other transitional issues are carefully addressed. Ongoing projects that will be completed by the end of 2000 include one project in Mozambique aimed at assisting artisanal miners in Zambezia Province and another in Suriname on the abatement of mercury use by artisanal gold miners through awareness-building and the identification and adoption of environmentally sound methods. In addition, UNRFNRE is working with the Sustainable Agriculture Unit of the Sustainable Environment and Energy Division on a study to identify rock phosphate deposits suitable for mining by artisanal miners for use by subsistence farmers in Africa to improve soil fertility and thereby contribute to food security.

7. Second, UNDP is ensuring that all usable information compiled by UNRFNRE is archived electronically and made available to all programme countries. The Revolving Fund has completed 30 mineral exploration programmes involving geological, geochemical and geophysical surveys and drilling campaigns. It has also evaluated numerous occurrences that never materialized into projects. This data will be useful for delineating the distribution of naturally occurring elements that have an environmental impact - arsenic, lead, etc. In addition, the information could be extremely useful for environmental baseline determination and land-use planning in the rural areas, which Governments could utilize to attract private mining companies. With advances in analytical geochemistry and interpretative techniques, new mineral provinces could be detected in areas that were previously considered barren or uneconomical.

8. Third, UNDP is addressing the issue of the utilization of the balance of funds. UNDP plans to use the balance of UNRFNRE funds for capacity-building for natural resources management in programme countries in consultation with the major donor, Japan. A report will be submitted to the Executive Board at a later date.

IV. RECOMMENDATION

9. The Executive Board may wish to endorse the plans to phase out the activities of the United Nations Revolving Fund for Natural Resources Exploration by the end of 2000 as outlined in the present document.